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Canadian
Investment
Fund, Ltd.

33RD ANNUAL REPORT 1965



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FEB 23,
1966



CANADA'S
Original
MUTUAL FUND

C-I-L HOUSE, MONTREAL 2
Executive Offices
CANADIAN INVESTMENT FUND, LTD.
Twenty-Ninth Floor





DIRECTORS

GRAHAM F. TOWERS, C.M.G., *Chairman*

C. T. BALLANTYNE, Q.C.

NORRIS R. CRUMP

HENRY BORDEN, C.M.G.

NORMAN J. DAWES

THE HON. F. P. BRAIS, C.B.E.

G. BLAIR GORDON

HUGH BULLOCK, K.B.E.

G. ARNOLD HART, M.B.E.

ALAN CHIPPINDALE

GEORGE W. HUGGETT

Supervised by

CALVIN BULLOCK

LTD.

Established 1894

Custodian

The Royal Trust Company
Montreal

Transfer Agents

The Royal Trust Company
*Montreal, Toronto, Winnipeg,
Vancouver, Charlottetown*

The Trust Company of New Jersey
Jersey City, N.J.

Auditors

Messrs. Price Waterhouse & Co.
Montreal

Canadian Investment Fund, Ltd.

REPORT TO SHAREHOLDERS

For the fiscal year ended December 31, 1965

YOUR Company was formed over thirty-three eventful years ago as a professionally supervised medium for diversified investment in Canadian enterprise. As Canada's original mutual fund, it has now completed a third-of-a-century of operations in the service of investors in Canada and elsewhere.

Last year witnessed the establishment of still further new records for the Company. It had greater assets and more shares outstanding than at any previous year end. Higher dividends were paid in 1965 than ever before, and once again increased dividends more than offset the further rise in the cost-of-living index.

The substantial further gains in the Canadian economy during 1965 were not reflected in average prices of Canadian stocks. Representative Canadian industrial stock indices showed little change last year as did the asset value of your shares. Because of increased corporate earnings, the price of Canadian stocks, as reflected by an index of 20 Toronto industrial stocks, declined to only 16.0 times latest 12 months earnings in December compared with 18.5 times earnings in January. The Canadian figure of 16.0 times earnings in December compares with a U.S. figure of 18.4.

Average Canadian common stocks outperformed similar U.S. stocks for the first five years of this decade. However, the cumulative effect of the repatriation of hundreds of millions of dollars of Canadian stocks from non-residents in recent years, particularly in 1965, seems to have had a depressing market influence last year with the result that Canadian stocks now appear to have relatively more attractive statistical values and hold the promise of more favourable market action when non-resident selling subsides or reverses itself.

THE YEAR 1965

Continuing investor purchases of your Company's shares during 1965 increased shares outstanding by 765,973 to 45,545,619 at the year end. These shares were held by 24,706 registered shareholders (a figure which does not count separately many thousands of investors holding shares registered in the names of a few nominees and depositaries).

Dividends paid last year scored a further gain to a record 15¢ per share, up 7% over 1964. In addition to the high quality of the stocks in its portfolio, your Company continued to have insurance against unforeseen contingencies during the year in the form of cash and government bonds, which afforded relatively high income.

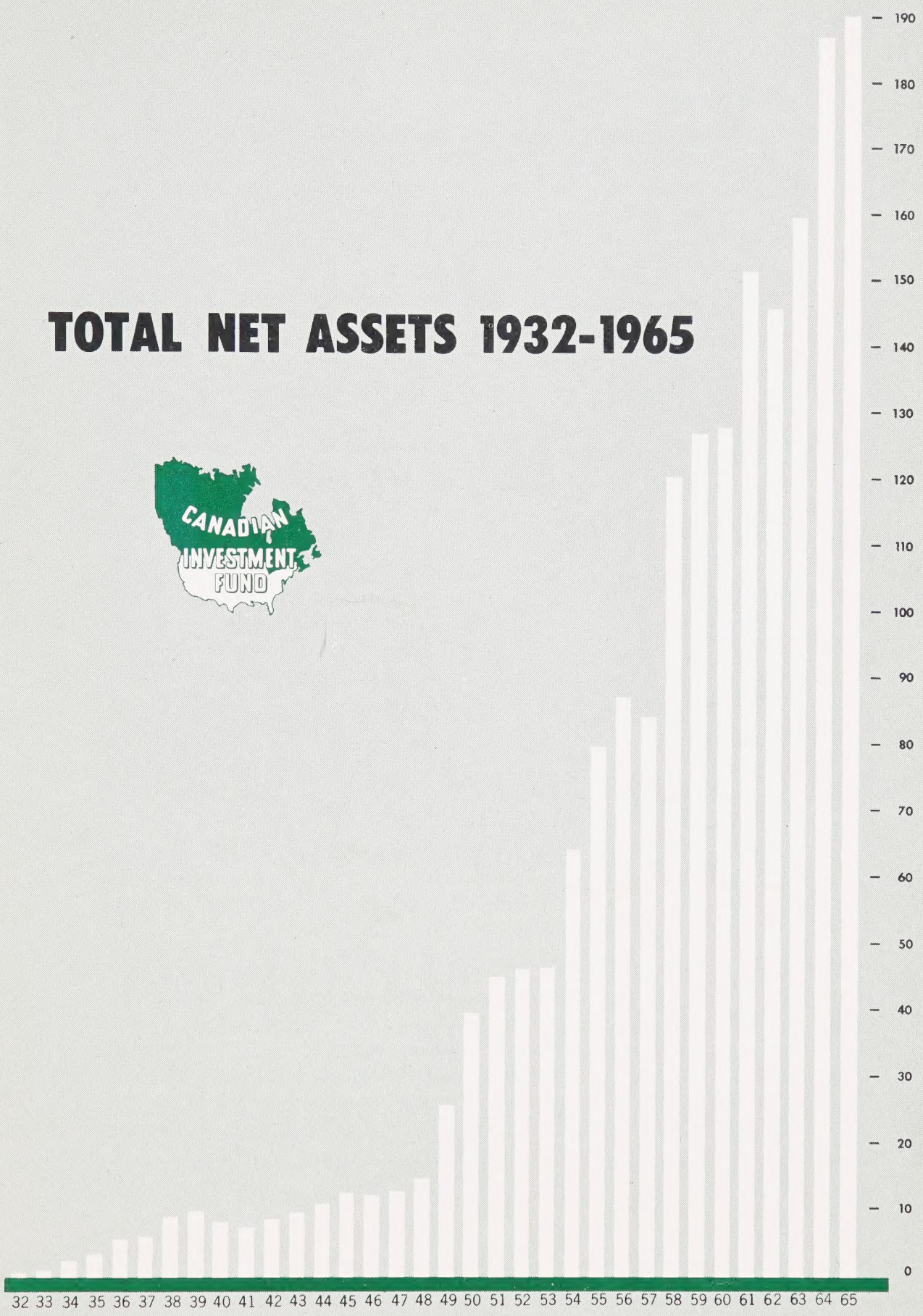
At the year end the balance of realized profits on sales of investments stood at \$23,557,845 and, in addition, the market value of investments exceeded cost by \$63,897,845.

REVIEW OF THE YEAR AT A GLANCE

	1965 December 31	1964 December 31
TOTAL NET ASSETS	\$190,056,136	\$187,201,425
SHARES OUTSTANDING	45,545,619	44,779,646
MARKET VALUE OF INVESTMENTS	\$176,199,439	\$177,148,538
COST OF INVESTMENTS	\$112,301,594	\$106,845,531
UNREALIZED PROFITS	\$ 63,897,845	\$ 70,303,007
BALANCE OF REALIZED PROFITS	\$ 23,557,845	\$ 17,518,203
PER SHARE NET ASSET VALUE	\$4.173	\$4.181
	1965	1964
DIVIDENDS PAID PER SHARE	15¢	14¢
CASH DIVIDENDS PAID IN YEAR	\$ 6,787,022	\$ 6,193,270

\$ MILLIONS

TOTAL NET ASSETS 1932-1965



SHAREHOLDERS

The chart below reflects the substantial increase in the number of shareholders in the past 20 years. They are to be found in every province of Canada, and in many parts of the United States, as well as in the United Kingdom, Continental Europe, South America, South Africa, and elsewhere around the world.

Shareholders include individuals from practically every walk of life as well as many kinds of institutions. Those who became shareholders during 1965 are cordially welcomed.

INDIVIDUALS & INSTITUTIONS



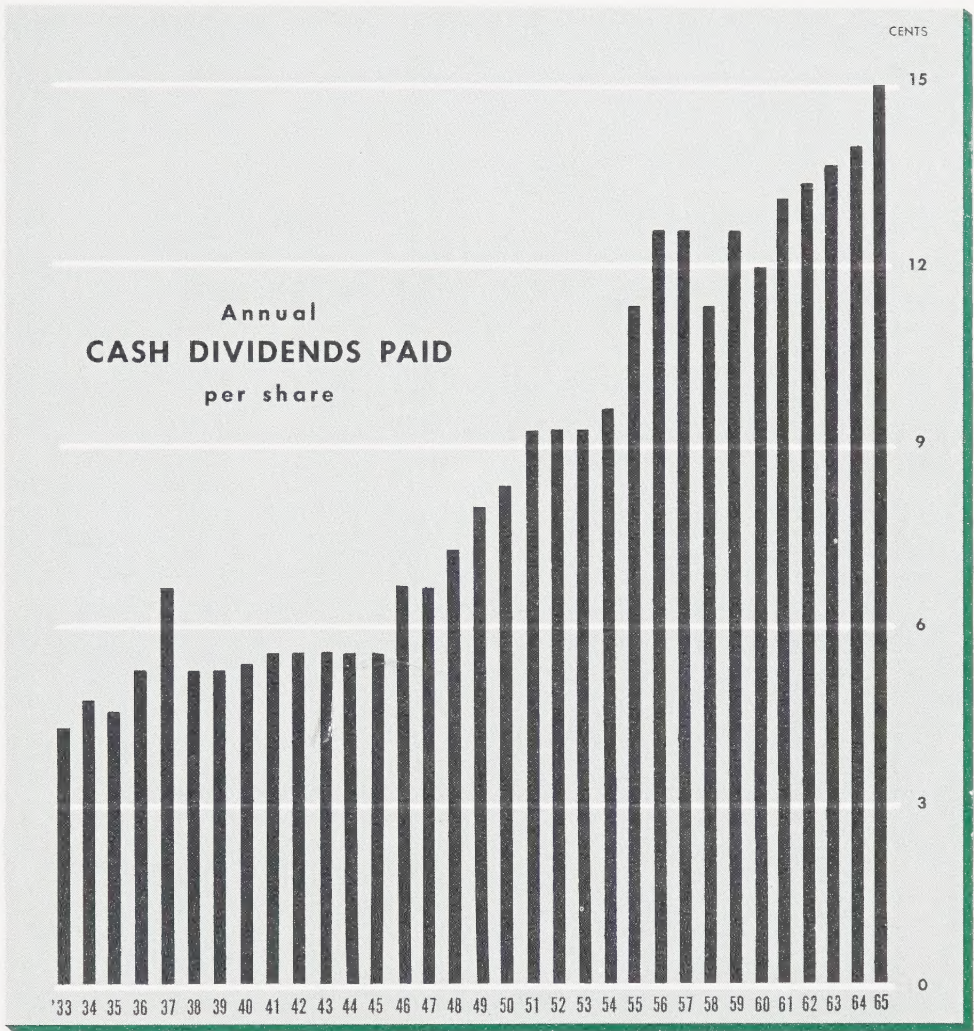
men
women, children
business executives, farmers
financial people, doctors, nurses
clergymen, judges, lawyers
officers in all the armed services
pension funds, lodges, churches, libraries, hospitals
commercial and financial corporations, insurance companies

SHAREHOLDER BENEFITS AND LONG TERM RECORD

At the 1965 year end, cumulative benefits to shareholders — cash dividends paid over \$70,000,000, balance of profits realized on investments over \$23,500,000, and unrealized profits of over \$63,500,000 — totalled well over \$155,000,000.

As graphically shown on page 10, combined appreciation and dividends on the net asset value of your Company's shares, from date of organization to December 31, 1965 amounted to 676%. An assumed investment of \$1,000 in shares of Canadian Investment Fund, Ltd. at the initial offering price December 5, 1932, with dividends reinvested* and after making full provision for total round trip buying and selling costs, could have been liquidated at the end of last year for \$15,482.

*No provision for income taxes, if any, payable by investor on dividends.



CASH DIVIDENDS PAID

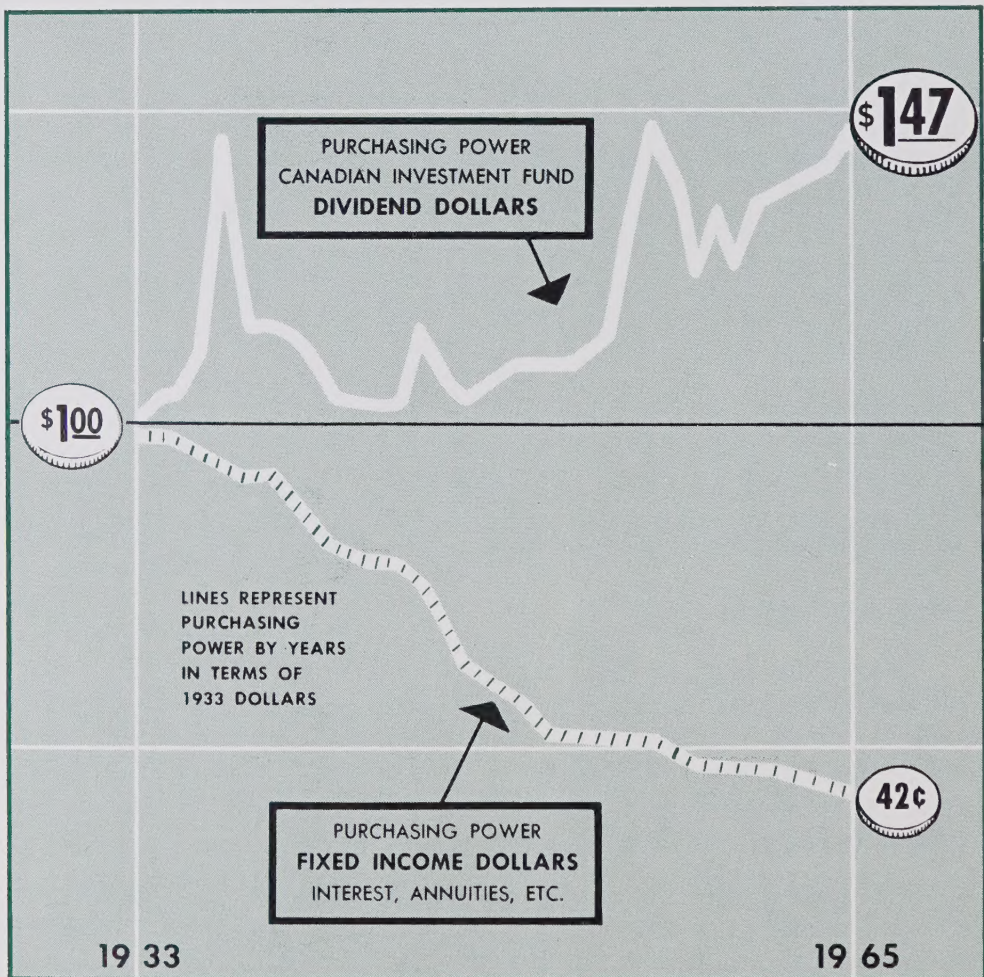
Dividends paid in 1965 totalled a new record 15¢ per share. While the amount received from dividends in stock, stock dividends and rights was negligible during the year, cash income from dividends and interest, per share, was higher than in 1964. Once again your Company's increased dividend payments more than offset the rise in the official cost-of-living index.

The chart above shows the substantial growth in annual dividends paid by your Company. At the end of 1965, your Company had paid 131 consecutive quarterly cash dividends totalling more than \$70,000,000.

33 YEARS OF PROTECTION AGAINST INFLATION

Although inflation has seriously reduced the purchasing power of money, shareholders of Canadian Investment Fund have enjoyed protection of both their income and their capital from the effects of this inflation for the past 33 year period.

Income Protection: While variable from year to year, the chart below portrays the income protection afforded by your Company's dividends against the loss in purchasing power of the Canadian dollar over the period shown. This is compared with the steady loss in purchasing power of fixed dollar income such as annuities, interest from bonds and mortgages, etc.



Capital Protection: The Company's shareholders also enjoyed a large margin of protection for their capital. For example, a \$10,000 investment in Canadian Investment Fund at offering price on January 1, 1933 could have been liquidated for \$41,045 on December 31, 1965, showing a capital gain of 310% compared with the inflationary rise of 136% in the official cost-of-living index in the period, which was used for this and the preceding calculations.

POLICY

The continuing policy of Canadian Investment Fund, Ltd. is to invest primarily in a broadly diversified selection of high grade, dividend paying common stocks, while having due regard for the protection of its shareholders' capital. A balance is sought between adequate income and growth possibilities.

In following these conservative policies, it is the purpose of your Company to combine in a single security high degrees of the cardinal principles of sound investment, namely:

- *Protection of Capital*
- *Marketability*
- *Reliable Income*
- *Opportunity for Growth*

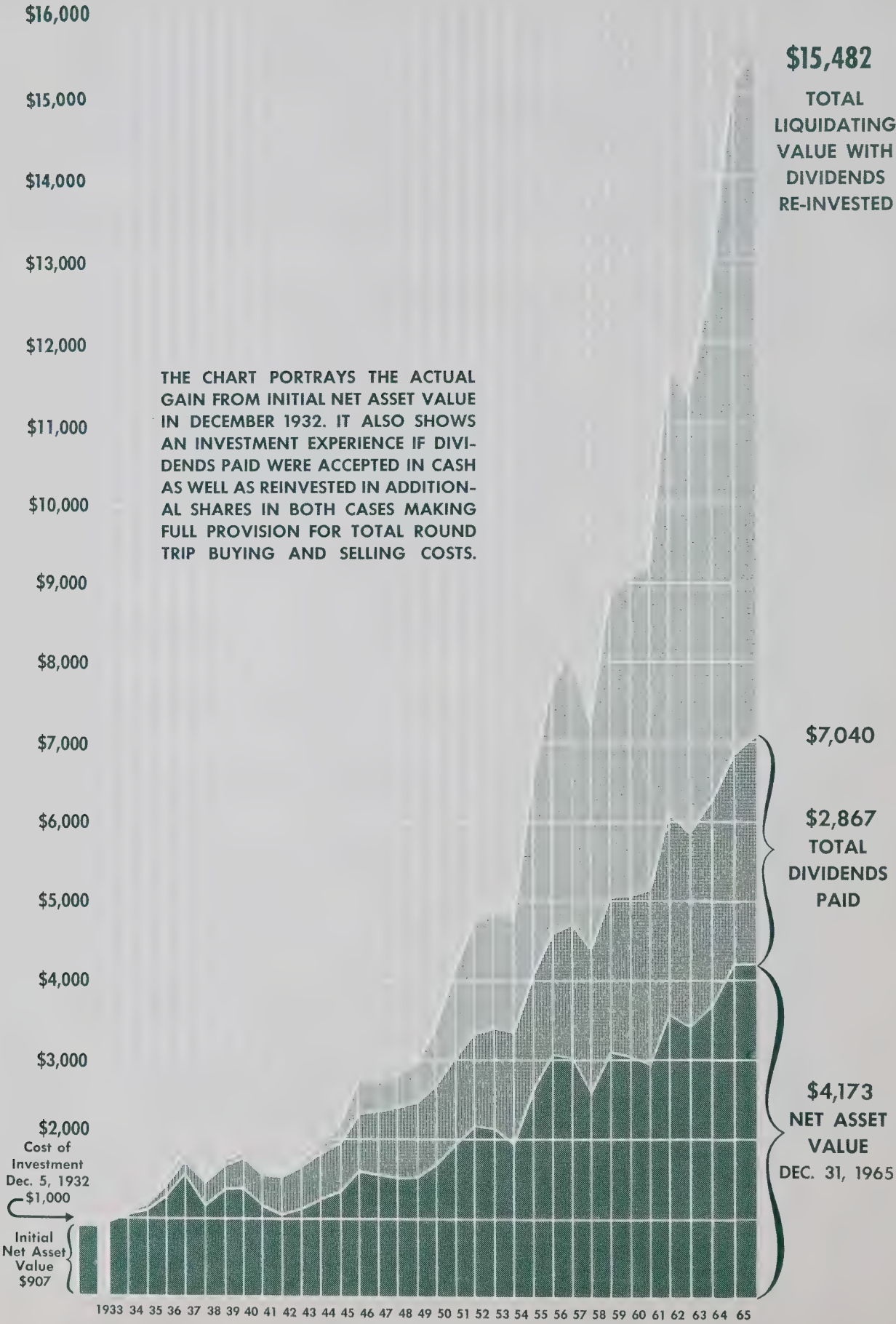
SUPERVISION

The Company's investments are continuously supervised by the firm of Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the supervision of investment companies. Investment company assets under its supervision total over \$800,000,000.

COST OF OPERATION

Despite continuing rising costs of doing business, the ratio of your Company's operating expenses last year was at the record low of forty-four one hundredths of one percent of average daily net assets. The ratio as a percentage of total net assets at the end of the year was the same. This covered all expenses for investment supervision, directors, dividend paying and transfer agents, custodian, legal and auditing, etc. By industry standards the expense ratio, on either basis, is unusually low.

AN ILLUSTRATION OF \$1,000 INVESTED IN CANADIAN INVESTMENT FUND, LTD. AT PUBLIC OFFERING PRICE DEC. 5TH, 1932



Outlook

The Canadian economy was never before as vigorous as in 1965. Gross national product exceeding \$51 billion was up over 9% and virtually every important segment of the economy reached record levels, including personal income and expenditure, employment, farm income, construction, industrial production, retail trade, mining and corporate profits and dividends. Securities markets were a main exception. Canadian stock averages were flat for the year for the unusual reasons noted earlier in this report. Rising business activity brought increased demand for money resulting in higher interest rates and consequent lower bond prices.

Economic buoyancy continues into 1966. Present indications are for a continuing rising level of Canadian business activity. A further gain of around 6% in G.N.P. in 1966 is a general expectation. A preoccupation this year will be exercising restraints to prevent demand from seriously exceeding available manpower and materials, and endeavouring to improve productivity and profit margins.

Continuing world tensions and tragic military conflicts in defence of freedom are sobering influences, as are threats of unreasonable wage demands and price increases with accelerated inflationary implications. Also, the fact that rising business activity is entering its sixth consecutive year of advances suggests carefulness.

Your Company remains cautiously optimistic. Its more than \$30 million in cash and government bonds places it in a strong position to take advantage of any buying opportunities should stock markets decline, as happened in 1962, while at the same time its holdings of about 82% of its assets in carefully selected common stocks will enable it to participate in further gains in stock prices which may result from continued increased earnings and dividends or from inflationary considerations. Long term prospects of Canada's growth oriented economy are excellent. It is gratifying to your management that so many investors find the shares of your Company especially well suited to meet investment problems in a constantly changing world.

Presented on succeeding pages, on behalf of the Board of Directors, are complete financial statements, the Auditors' Report, and tax and other information.

Yours very truly,

February 24, 1966.

HUGH BULLOCK, *President*

NATIONAL ENDEAVOUR

The federal government has taken steps in recent years to encourage the most effective use of Canadian savings in the development, management and control of the Canadian economy. When making tax changes to this end reference was made to the diversification of investment provided by mutual funds and recognition was given the important role that they, along with other investment companies and pension funds, play in providing a large flow of the savings of individuals towards investment in the ownership of Canadian industry. Canadian mutual fund investment in common stocks of Canadian companies had increased to approximately \$1,000 million at the end of 1965, up from \$327 million five years earlier.

A PROGRAM FOR DIVERSIFICATION

There is a tendency, at times, for investors to consider the shares of your Company as just another stock. In actual fact, the shares represent a broad program — a medium through which wide diversity of investment is obtained in a sound and convenient manner under constant and experienced supervision.

A \$10,000 INVESTMENT

On pages 18 to 21 of this report is shown a complete list of all the investments of your Company at December 31, 1965, giving the amount held as well as market values at that date. Also shown in the column at the far right of that listing, in green, is the dollar amount in each security represented by a \$10,000 investment in the Fund at asset value on that date. On that basis it will be seen that not as much as \$500 was invested in any single security. Of the stock investments, 4 issues ranged from \$400 to \$500, 3 from \$300 to \$400, 10 from \$200 to \$300, 13 from \$100 to \$200, and 34 issues represented less than \$100 each. Larger or smaller invested amounts would be proportionate.

\$50,000,000,000

Total individual issues in the Company's portfolio at the end of last year numbered 71, and comprised 7 bond issues, 12 preferred stocks, and the common stocks of 50 corporations having gross assets of more than \$50,000,000,000.

The wide diversity and great depth of security provided by investment in the Company's shares are thus readily apparent.



The Canadian Investment Fund Growth Plan, originally called the Thrift Plan, was formed and made available to investors in 1949 as the first compounding accumulation plan based on equities in Canada. Based upon the actual operating record of your Company, an assumed plan investing \$1,000 annually in quarterly payments, starting January 1, 1933, all dividends reinvested, could have been liquidated for \$172,664 at December 31, 1965.

Terms of the plan are modest and flexible. It is a purely voluntary, no penalty savings plan. Growth in every successive year demonstrates its increasing popularity.



The Canadian Investment Fund Retirement Savings Plan was formed and made available in October, 1957. The immediate and wide-spread favourable response exceeded high expectations and has continued.

It is a flexible plan meeting the requirements of the Income Tax Act as a registered retirement savings plan affording the opportunity to individuals in Canada with earned income to utilize important current tax savings to provide retirement income.

Both of the above plans offer an effective method of building financial security and are based upon conservative investment in shares of your Company which has an outstanding thirty-three year record of growth of income and capital. Both plans are administered by one of Canada's largest independent trust companies, The Royal Trust Company, and both provide for five basic investment principles: 1) broad diversification of investment, 2) professional supervision, 3) dollar averaging, 4) compounding of income, 5) opportunity for protection against inflation.

INVESTMENT DEALERS

Full details on these plans are available from any investment dealer in Canada, without obligation.

The Board of Directors



Graham F. Towers, C.M.G.
Chairman

Original head for 20 years, Bank of Canada; Chairman, British Petroleum Co. of Canada Ltd., Canada Life Assurance Co.; Director, Bell Telephone Co. of Canada, Moore Corp., Ltd., Hudson's Bay Co., General Motors Corp.



Hugh Bullock, K.B.E.
President

Chairman and Chief Executive Officer, Calvin Bullock, Ltd., New York, and Chairman or President of other investment companies under Calvin Bullock supervision. A pioneer in the investment company industry, with over thirty-five years of investment experience.



C. T. Ballantyne, Q.C.

Barrister and Solicitor. President of the Charlotte County Hospital, St. Stephen, New Brunswick; Vice President and Director of Gould Cold Storage Company Limited.



Henry Borden, C.M.G.

Chairman, British Newfoundland Corp. Ltd.; Director, Bell Telephone Co. of Can., Brazilian Traction, Lt. & Pow. Co. Ltd., Canadian Imperial Bank of Commerce, Massey-Ferguson Ltd., Int. Business Machines Co. Ltd.



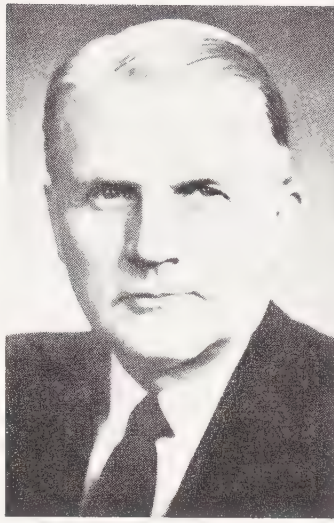
Hon. F. P. Brais, C.B.E.

Senior Partner, Brais, Campbell, Mercier, Leduc and Pepper; Chairman, Banque Canadienne Nationale, Director Canadian Pacific Railway Company, Fraser Companies, Limited, Montreal Trust Company.



Alan Chippindale
Managing Director

President, Calvin Bullock, Ltd., Montreal; Vice President, Calvin Bullock, Ltd., New York. Vice President and Director, Canadian Fund, Inc. A mutual fund industry leader in Canada for over thirty years.



Norris R. Crump

Chairman and Chief Executive Officer, Canadian Pacific Railway Co.; Director, Bank of Montreal, Consolidated Mining & Smelting Co. of Can. Ltd., International Nickel Co. of Can. Ltd., Mutual Life Assurance Co. of Canada.



Norman J. Dawes

Director, The Wabasso Cotton Company Limited, Canada Starch Company Limited and Canadian Fund, Inc.



G. Blair Gordon

Chairman, Dominion Textile Co., Ltd.; Director, Bank of Montreal, Canadian Industries Ltd., Dominion Oilcloth & Linoleum Co. Ltd., Hudson Bay Insurance Co., Mutual Life Assurance Co. of Canada.



G. Arnold Hart, M.B.E.

President and Chairman, Bank of Montreal; Director, Consolidated Mining & Smelting Co. of Canada Ltd., Consolidated Paper Corp. Ltd., Steel Company of Canada Ltd., Sun Life Assurance Co. of Canada.



George W. Huggett

Hon. Chairman and Director, Du Pont of Canada Limited; Hon. Director, The Royal Trust Company; Member, Canadian Advisory Committee, Northern and Employers Group of Insurance Companies.

Canadian Investment Fund, Ltd.

Investment Changes

DECEMBER 31, 1964 — DECEMBER 31, 1965

Purchases

	<u>NET INCREASE</u>	<u>NEW TOTAL</u>
	Shares	Shares
COMMON STOCKS		
Bank of Montreal.....	3,000	64,000
Bell Telephone Co. of Canada.....	35,000	160,000
Canada Cement Company, Limited.....	10,500	45,000
Canadian Imperial Bank of Commerce.....	3,000	48,000
Canadian Industries Limited.....	23,000	46,000
Canadian Pacific Railway Co.....	9,000	80,000
Consumers' Gas Company.....	75,000	275,000
Distillers Corp.-Seagrams Ltd.....	28,500	68,500
Dome Mines Ltd.....	4,000	30,000
Du Pont of Canada Ltd.....	10,000	40,000
General Electric Company.....	5,000	30,000
General Motors Corp.....	10,000	80,000
Imperial Oil Ltd.....	12,000	122,000
Interprovincial Pipe Line Company.....	2,000	52,000
MacMillan, Bloedel & Powell River Ltd.....	20,000	170,000
Moore Corporation Ltd.....	15,000	95,000
Quebec Natural Gas Corp.....	54,000	54,000
Royal Bank of Canada.....	3,000	51,000
Simpsons, Limited.....	35,000	35,000
Socony Mobil Oil Company, Inc.....	15,000	15,000
Trans Canada Pipe Lines Ltd.....	35,000	70,000
Union Carbide Canada Ltd.....	2,000	30,000
Union Gas Co. of Canada, Ltd.....	25,000	85,000
BONDS	Principal Amount	Principal Amount
Gov't of Canada, 2¾% June 15, 1968.....	\$1,000,000	\$1,000,000

Canadian Investment Fund, Ltd.

Investment Changes — *Continued*

DECEMBER 31, 1964 — DECEMBER 31, 1965

Sales

	NET DECREASE	NEW TOTAL
	Shares	Shares
COMMON STOCKS		
Abitibi Paper Company Limited.....	20,000	180,000
Aluminium Limited.....	5,000	100,000
British American Oil Co. Ltd.....	40,000	50,000
Consol. Min. & Smelt. Co. of Can. Ltd.....	25,000	80,000
Consolidated Paper Corp. Ltd.....	10,000	90,000
Dominion Glass Company, Ltd.....	10,000	60,000
Dominion Oilcloth & Lin. Co. Ltd.....	20,000	Nil
Hudson's Bay Company.....	50,000	Nil
Hudson Bay Min. & Smelt. Co. Ltd.....	30,000	20,000
Imperial Tobacco Co. of Can. Ltd.....	10,000	Nil
Industrial Acceptance Corp. Ltd.....	5,000	225,000
International Nickel Co. of Can. Ltd.....	30,000	70,000
International Paper Co.....	11,000	59,000
Noranda Mines, Limited.....	50,000	60,000
Price Bros. & Co. Ltd.....	20,000	Nil
Steel Company of Canada, Ltd.....	40,000	160,000
Texaco Canada Limited.....	3,000	10,000
BONDS		
	Principal Amount	Principal Amount
Gov't of Canada 4 ¹ / ₄ % April 1, 1965.....	\$3,000,000	\$ Nil
Cdn. Nat. Rlwy. Co., 5 ¹ / ₂ %, 1971.....	1,000,000	9,000,000

Canadian Investment Fund, Ltd.

Investments

AT DECEMBER 31, 1965

Common Stocks

	<u>SHARES</u>	<u>MARKET VALUE†</u>	<u>PROPORTION OF A \$10,000 INVESTMENT*</u>
AUTOMOTIVE			
General Motors Corp.....	80,000	\$ 8,895,825	\$ 468
BANK AND FINANCE			
Bank of Montreal.....	64,000	\$ 4,144,000	\$ 218
Bank of Nova Scotia.....	14,000	1,057,000	56
Banque Canadienne Nationale....	10,000	698,750	37
Canadian Imperial Bank of Comm.	48,000	3,204,000	169
Industrial Acceptance Corp. Ltd...	225,000	5,175,000	272
Royal Bank of Canada.....	51,000	3,844,125	202
Toronto-Dominion Bank.....	24,000	1,584,000	83
		<u>\$19,706,875</u>	<u>\$1,037</u>
BUILDING			
Canada Cement Company, Limited	45,000	\$ 2,025,000	\$ 107
CHEMICAL			
Canadian Industries Limited.....	46,000	\$ 920,000	\$ 48
Du Pont of Canada Ltd.....	40,000	1,700,000	90
Union Carbide Canada Ltd.....	30,000	840,000	44
		<u>\$ 3,460,000</u>	<u>\$ 182</u>
FOOD & BEVERAGE			
Canada Packers Limited "A".....	19,000	\$ 1,624,500	\$ 86
Distillers Corp.-Seagrams Ltd....	68,500	2,628,687	138
Ogilvie Flour Mills Co. Ltd.....	60,000	900,000	47
Hiram Walker-Gooderham & W. Ltd.	250,000	8,906,250	469
George Weston Limited "A".....	60,000	1,215,000	64
George Weston Limited "B".....	55,000	1,168,750	61
		<u>\$16,443,187</u>	<u>\$ 865</u>

	<u>SHARES</u>	<u>MARKET VALUE†</u>	<u>PROPORTION OF A \$10,000 INVESTMENT*</u>
HEAVY INDUSTRY			
Dominion Foundries & Steel, Ltd. .	80,000	\$ 2,180,000	\$ 115
General Electric Company	30,000	3,803,287	200
Steel Company of Canada, Ltd.	160,000	4,240,000	223
		<hr/> \$10,223,287	<hr/> \$ 538
MINING			
Aluminium Limited.	100,000	\$ 3,362,500	\$ 177
Consol. Min. & Smelt. Co. of Can. Ltd.	80,000	3,920,000	206
Dome Mines Ltd.	30,000	1,185,000	63
Hollinger Cons. Gold Mines, Ltd. . .	11,000	288,750	15
Hudson Bay Min. & Smelt. Co. Ltd.	20,000	1,552,500	82
International Nickel Co. of Can. Ltd.	70,000	6,798,750	358
Noranda Mines, Limited	60,000	3,180,000	167
		<hr/> \$20,287,500	<hr/> \$1,068
PAPER & NEWSPRINT			
Abitibi Paper Company Limited . .	180,000	\$ 2,205,000	\$ 116
Consolidated Paper Corp. Ltd.	90,000	3,566,250	188
Crown Zellerbach Corp.	9,000	468,965	25
International Paper Co.	59,000	1,949,185	102
MacMillan, Bloedel & Powell R. Ltd.	170,000	4,420,000	232
		<hr/> \$12,609,400	<hr/> \$ 663
PETROLEUM			
British American Oil Co. Ltd.	50,000	\$ 1,512,500	\$ 79
Imperial Oil Ltd.	122,000	6,420,250	338
Interprovincial Pipe Line Company	52,000	4,498,000	237
Socony Mobil Oil Company Inc.	15,000	1,559,187	82
Standard Oil Company (N.J.)	75,000	6,476,467	341
Texaco Canada Limited.	10,000	541,250	28
		<hr/> \$21,007,654	<hr/> \$1,105

	<u>SHARES</u>	<u>MARKET VALUE†</u>	<u>PROPORTION OF A \$10,000 INVESTMENT*</u>
PUBLIC UTILITY			
Bell Telephone Co. of Canada	160,000	\$ 9,280,000	\$ 488
Consumers' Gas Company	275,000	4,365,625	230
Quebec Natural Gas Corp.	54,000	756,000	40
Trans Canada Pipe Lines Ltd.	70,000	2,677,500	141
Union Gas Co. of Canada, Ltd.	85,000	2,666,875	140
		<u>\$19,746,000</u>	<u>\$1,039</u>
RETAIL TRADE			
Loblaw Companies Ltd. "A"	70,000	\$ 726,250	\$ 38
Loblaw Companies Ltd. "B"	200,000	2,200,000	116
Simpsons, Limited	35,000	997,500	52
Woodward Stores Ltd. "A"	30,000	791,250	42
		<u>\$ 4,715,000</u>	<u>\$ 248</u>
TEXTILE			
Dominion Textile Co. Ltd.	80,000	\$ 2,610,000	\$ 137
MISCELLANEOUS			
Canadian Pacific Railway Co.	80,000	\$ 5,340,000	\$ 281
Dominion Glass Company, Ltd.	60,000	862,500	45
Moore Corporation Ltd.	95,000	7,730,625	407
		<u>\$ 13,933,125</u>	<u>\$ 733</u>
TOTAL COMMON STOCKS		\$155,662,853	\$8,190

Preferred Stocks

	<u>SHARES</u>	<u>MARKET VALUE†</u>	<u>PROPORTION OF A \$10,000 INVESTMENT*</u>
Aluminium Limited., 4¼% Conv. . .	9,000	\$ 363,375	\$ 19
Aluminum Co. of Canada, Ltd., 4% . .	7,000	154,000	8
Aluminum Co. of Canada, Ltd., 4½% . .	5,000	230,000	12
Canadian Industries Limited, 7½% . .	1,600	129,600	7
Chemcell (1963) Ltd., \$1.75 Series . .	8,200	295,200	16

(Continued on next page)

Preferred Stocks *(Continued from preceding page)*

	SHARES	MARKET VALUE†	PROPORTION OF A \$10,000 INVESTMENT*
Dominion Glass Company, Ltd., 7% . .	15,000	\$ 225,000	\$ 12
Dominion Textile Co. Ltd., 7%	1,200	168,000	9
Howard Smith Paper Mills Ltd., \$2.00	2,000	79,500	4
Ind. Accept. Corp. Ltd., 4 ½% \$100 par	4,000	366,000	19
Texaco Canada Limited, 4%	738	65,036	4
George Weston Limited, 4 ½%	3,000	282,750	15
Zeller's Limited, 4 ½%	5,000	236,875	12
TOTAL PREFERRED STOCKS		\$ 2,595,336	\$ 137

Bonds

	PRINCIPAL AMOUNT	MARKET VALUE†	PROPORTION OF A \$10,000 INVESTMENT*
Gov't of Canada, 4 1½% Dec. 15/66	\$3,000M	\$ 2,983,500	\$ 157
Gov't of Canada, 4 1¼% Jan. 15/68	1,000M	981,000	52
Gov't of Canada, 2 ¾% June. 15/68	1,000M	953,500	50
Gov't of Canada, 5% Oct. 1/68	2,000M	1,982,000	104
Gov't of Canada, 5 1½% Apr. 1/69	1,000M	1,003,750	53
Gov't of Canada, 5 1½% Oct. 1/69	1,000M	1,003,750	53
Cdn. Nat. Rlwy. Co., 5 1½% 1971	9,000M	9,033,750	475
TOTAL BONDS.....		\$ 17,941,250	\$ 944
TOTAL INVESTMENTS.....		\$176,199,439	\$9,271
CASH, ETC., NET.....		13,856,697	729
TOTAL NET ASSETS.....		\$190,056,136	\$10,000

†Investments valued at market quotations. Market values of United States securities are expressed in Canadian funds at the rate of exchange prevailing on December 31, 1965, 7 ½% premium on U.S. funds.

*Dollar amount for each security represented by a \$10,000 investment in the Fund at asset value on that date.

Canadian Investment Fund, Ltd. *(Incorporated under Canada Corporations Act)*

ASSETS

INVESTMENTS AT AVERAGE COST: (The aggregate quoted market value of investments at December 31, 1965 was \$176,199,439 resulting in unrealized appreciation of \$63,897,845)

Bonds.....	\$18,369,644
Stocks of Canadian companies.....	81,831,336
Stocks of United States companies.....	12,100,614
	<u>\$112,301,594</u>

CURRENT ASSETS:

Cash on deposit, demand —	
The Royal Trust Company, Montreal.....	\$13,418,373
Interest accrued and dividends receivable.....	1,034,286
Due by subscriber to capital stock.....	153,603
Receivable in respect of securities sold.....	102,480
	<u>14,708,742</u>
TOTAL ASSETS.....	<u><u>\$127,010,336</u></u>

LIABILITIES

CURRENT LIABILITIES:

Payable in respect of securities purchased.....	\$ 326,202
Payable for special shares of capital stock purchased for cancellation..	263,059
Management and directors' compensation payable.....	178,053
Accrued expenses and sundry accounts payable.....	19,583
United States withholding tax.....	3,882
Canadian taxes on income.....	61,246
	<u>852,025</u>
TOTAL LIABILITIES.....	<u>\$ 852,025</u>

CAPITAL STOCK AND SURPLUS

CAPITAL STOCK:

Special shares of 33 1/3 cents each (redeemable on demand by the holders at liquidating value as provided in the Letters Patent of the Company):

75,000,000 shares — Authorized.....	\$25,000,000
18,960,418 shares — Redeemed or purchased for cancellation from inception to December 31, 1965.....	6,320,140
56,039,582 shares.....	<u>\$18,679,860</u>

Issued and outstanding —

44,776,646 shares outstanding at December 31, 1964.....	\$14,925,549
3,635,133 shares issued and subscribed for during the year ending December 31, 1965 for a consideration of \$15,332,360 of which \$14,120,649 has been credited to surplus..	<u>1,211,711</u>
48,411,779 shares.....	\$16,137,260
2,869,160 shares redeemed or purchased for cancellation during the year ending December 31, 1965.....	<u>956,387</u>
45,542,619 shares outstanding at December 31, 1965.....	<u>\$15,180,873</u>

Ordinary shares:

Authorized and issued — 3,000 shares of 33 1/3 cents each.....	1,000
Total Capital Stock.....	<u>\$ 15,181,873</u>

SURPLUS, as per statements annexed:

Paid-in surplus.....	\$84,960,069
Paid-in surplus to equalize the accumulated earnings subject to distribution.....	<u>18,355</u>
Earned surplus.....	25,998,014
TOTAL CAPITAL STOCK AND SURPLUS.....	<u>110,976,438</u>
TOTAL LIABILITIES, CAPITAL STOCK AND SURPLUS.....	<u>\$126,158,311</u>
	<u>\$127,010,336</u>

Approved on behalf of the Board:

G. F. TOWERS, *Director*
ALAN CHIPPINDALE, *Director*

Canadian Investment Fund, Ltd.

Statement of Income Account FOR THE YEAR ENDING DECEMBER 31, 1965

INCOME:

Cash dividends.....	\$5,637,974	
Bond interest.....	952,181	
Interest on cash deposits.....	577,772	
Proceeds — dividend in stock, and rights.....	<u>41,603</u>	\$7,209,530

EXPENSES:

Management.....	\$ 633,399	
Transfer, dividend paying agent's and custodian's fees.....	54,462	
General expenses and auditors' fees.	50,680	
Taxes, other than income taxes....	3,170	
Legal fees and expenses.....	5,866	
Directors' compensation.....	<u>85,500</u>	<u>833,077</u>

Net income before providing for the items shown below.....	\$6,376,453
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United States withholding and Canadian income taxes paid and provided for.....	<u>280,820</u>
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Net income, exclusive of profit or loss from sales of securities.....	<u><u>\$6,095,633</u></u>
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Canadian Investment Fund, Ltd.

Statement of Distribution Account FOR THE YEAR ENDING DECEMBER 31, 1965

Balance of income account, as annexed.	\$6,095,633	
Balance of distribution account at beginning of year.....	2,391,480	
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares (dividends declared are first chargeable against this amount) as provided by resolutions of the Board of Directors	156,424	
Transferred from profits on sales of securities an amount equal to management and directors' compensation charged to income.....	<u>718,899</u>	\$9,362,436
<i>Deduct:</i>		
Dividends paid —		
Special shares....	\$6,786,572	
Ordinary shares..	<u>450</u>	\$6,787,022
Amounts included in prices of special shares redeemed or purchased for cancellation, equal to the per share portion of income and distribution accounts.....	<u>116,836</u>	<u>6,903,858</u>
Balance of distribution account at end of year.....		<u><u>\$2,458,578</u></u>
Included in paid-in surplus, annexed..		\$ 18,355
Included in earned surplus, annexed...		<u>2,440,223</u>
		<u><u>\$2,458,578</u></u>

Canadian Investment Fund, Ltd.

Statement of Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1965

PAID-IN SURPLUS:

Balance at beginning of year.....	\$82,086,168	
Less: Included in beginning balance of distribution account, annexed.....	23,981	\$ 82,062,187
Excess over par value of capital stock subscribed for, not including portion of subscription price credited to distribution account, annexed.....		13,964,225
		<u>\$ 96,026,412</u>
<i>Deduct:</i>		
Consideration paid on redemption or purchase for cancellation of special shares during the year, not including amount charged to distribution account, annexed	\$12,022,730	
Less: Par value thereof.....	956,387	11,066,343
		<u>\$ 84,960,069</u>
Portion of subscription price included in balance of distribution account, annexed.....		18,355
		<u>\$ 84,978,424</u>

EARNED SURPLUS:

Net realized profits from sales of securities:		
Balance at beginning of year.....	\$17,518,203	
Net realized profits during year..	6,758,487	\$24,276,690
Less: Amount transferred to distribution account.....	718,899	
		<u>\$23,557,791</u>
Balance at end of year.....		
Portion of balance of distribution account at end of year, annexed.	2,440,223	
		<u>25,998,014</u>
Balance of earned surplus at end of year.....		
		<u>\$110,976,438</u>
Total surplus at end of year.....		

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN INVESTMENT FUND, LTD.

We have examined the balance sheet of Canadian Investment Fund, Ltd., as at December 31, 1965 and the statements of income, distribution and surplus accounts for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The Royal Trust Company, as custodian, has confirmed to us that it held the securities representing the Company's investments, and the balances of cash on deposit at December 31, 1965 for the Company's account.

In our opinion, the accompanying balance sheet and statements of income, distribution and surplus accounts present fairly the financial position of the Company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

Montreal, January 7, 1966

In the opinion of counsel, shareholders of the Company who were individuals resident in Canada in 1965 will, in determining their income tax liability to Canada, be entitled to take into consideration dividends received from this Company in that year when computing the 20% dividend tax credit permitted under the terms of Section 38 of the Canadian Income Tax Act.

Residents of the Province of Quebec may similarly take such dividends into consideration for the purpose of their Provincial income tax and the 3% net dividend tax credit.



*"Upon the whole surface of the globe,
there is no more spacious and splendid domain than Canada
open to the activity and genius of free men."*

—SIR WINSTON CHURCHILL